

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Neutral

BILL NUMBER: AB 1690
AUTHOR: W. Chesbro

BILL SUMMARY: Disaster Relief: County of Humboldt Earthquake

This bill would reimburse Humboldt County for property tax revenue losses stemming from the earthquake that occurred on January 9, 2010, and which was declared by the Governor to constitute a state of emergency. This bill would allow homeowners whose homes were damaged or destroyed to remain eligible for the homeowners' property tax exemption. The bill also would allow taxpayers disaster loss carry-forward treatment for losses sustained in the earthquake.

FISCAL SUMMARY

The Board of Equalization (BOE) indicates that the provision that provides reimbursement to local jurisdictions for loss of property tax revenue due to reassessment of property damaged or destroyed by the earthquake to be approximately \$405,000, and for loss of property tax revenue due to continuation of the homeowners' property tax exemption is estimated at \$12,000. The BOE indicates it would have minor and absorbable costs associated with this bill.

The Franchise Tax Board (FTB) has not yet been able to estimate the impact of the disaster loss carry-forward treatment provided by this bill.

COMMENTS

Finance notes the following regarding this bill:

- This bill would provide impacted homeowners in Humboldt County with relief for losses suffered in the earthquake.

Analyst/Principal (0761) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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AB 1690

ANALYSIS

A. Programmatic Analysis

Under existing law, a county board of supervisors may adopt an ordinance authorizing an assessee to apply for the reassessment of property damaged by misfortune or disaster. If the reassessment results from damage sustained in a Governor-declared disaster, the assessee may apply to the county for deferral of the next installment of property taxes that is due following the date of the disaster. The county may apply to the state for a "bridge loan" to cover its cash flow loss during the period of deferment. Those loans must be repaid by the county in full.

In recent years, special provisions have been enacted in response to floods, earthquakes, and fires, under which counties were required to pay back only that portion of the loan that exceeded their actual property tax losses attributable to the damages. In effect, the state has held local governments harmless against disaster-related property tax losses for the fiscal year of the disaster.

This bill would reimburse Humboldt County for property tax revenue losses stemming from the earthquake that occurred on January 9, 2010, and which was declared by the Governor to constitute a state of emergency.

Under current law, the California Constitution exempts the first \$7,000 of the full value of a property from property tax, if that property is occupied by the owner as his or her principal residence. This provision is commonly referred to as the "homeowners' exemption." If the property is no longer owner-occupied or if it becomes vacant or is under construction on the lien date of January 1, then the property is not eligible for the property tax exemption for the upcoming tax year. The state is required to reimburse local governments for property tax revenue losses as a result of the homeowners' property tax exemption.

This bill would allow homeowners whose homes were damaged or destroyed to remain eligible for the homeowners' property tax exemption.

Current law provides for the treatment of two types of losses, which are casualty losses and disaster losses. A casualty loss occurs when property is destroyed as a result of a sudden, unexpected, or unusual cause such as a fire, storm, or flood. A disaster loss occurs when property is destroyed as the result of a natural event proclaimed a disaster by the President of the United States, or in California, counties or cities proclaimed to be in a state of disaster by the Governor.

Under state law, uninsured casualty losses are deductible to the extent that each loss exceeds \$100 and the total loss exceeds 10 percent of the taxpayer's adjusted gross income (AGI). The itemized deduction may be taken in the year the casualty loss occurred. Taxpayers who have incurred a disaster loss may claim the loss in the year preceding the loss. As with casualty losses, the deduction for non-business disaster losses is subject to the \$100 loss floor and the 10 percent of AGI limitations.

Uninsured casualty and disaster losses may result in a net operating loss (NOL) for the taxpayer. Subject to legislative approval, 100 percent of NOLs incurred on or after January 1, 2004 may be carried forward for up to 15 years if not claimed in a preceding year, and therefore offset a taxpayer's tax liability.

This bill would allow taxpayers disaster loss carry-forward treatment for losses sustained in the earthquake.

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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B. Fiscal Analysis

The BOE indicates that the provision that provides reimbursement to local jurisdictions for loss of property tax revenue due to reassessment of property damaged or destroyed by the earthquake to be approximately \$405,000, and for loss of property tax revenue due to continuation of the homeowners' property tax exemption is estimated at \$12,000. The BOE indicates it would have minor and absorbable costs associated with this bill.

The FTB has not yet been able to estimate the impact of the disaster loss carry-forward treatment provided by this bill.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
0860/Equalization	SO	No		-----	No/Minor Fiscal Impact	-----			0001
1730/FTB	SO	No		-----	No/Minor Fiscal Impact	-----			0001
1147/Pers Inc Tax	RV	No		-----	See Fiscal Analysis	-----			0001
9100/Tax Relief	LA	No		--	C	\$417		--	0001